

# RBA American Industrial Renaissance® Index

## RBA Investment Process:

- ➔ Quantitative indicators and macro-economic analysis are used to establish views on major secular and cyclical trends in the market.
- ➔ Investment themes focus on disparities between fundamentals and sentiment.
- ➔ Market mis-pricings are identified relative to changes in the global economy, geopolitics and corporate profits.

The U.S. is unlikely to be the industrial leader that it was in the 1950s and 1960s. However, it seems very likely that the U.S. industrial sector will continue to gain global market share over the next decade. Contracting globalization and the implications for onshoring/reshoring, national security, and inflation are among the key reasons for what we at RBA call the “American Industrial Renaissance”. The RBA American Industrial Renaissance® Index (“the Index”) intends to capture what is, in our view, a secular investment theme pertaining to companies in the U.S. small and mid-cap industrial and community banking sectors.

## RBA American Industrial Renaissance® Index

- ➔ An optimized, risk-weighted index of companies in the U.S. small and mid-cap industrial and community banking sectors.
- ➔ The index value was set at 1,000 as of the close of business on January 17th, 2014, and the inception date was July 25th, 2012.
- ➔ Quoted on the NYSE Arca, the index can be found under the symbol RBAAIR for the intraday price return, and RBAAIRT for the end-of-day total return.
- ➔ The Index can be utilized as a basis for exchange-traded products, a selection universe, structured products or derivatives.

Symbol	Name	Currency	Frequency	Publication Times
<b>RBAAIR</b>	Richard Bernstein Advisors American Industrial Renaissance® Index	USD	15-sec	9:30 AM - 6:00 PM ET
<b>RBAAIRT</b>	Richard Bernstein Advisors American Industrial Renaissance® Index (Total Return)	USD	End-of-Day	7:00 PM - 8:15 PM ET

## CONTACT RBA

### Vincent Scozzari

Product Strategy Specialist  
(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

**Website:** [RBAadvisors.com](http://RBAadvisors.com)

**Twitter:** @rbadvisors

**Phone:** (212) 692-4088

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Richard  
Bernstein  
Advisors

## CONTACT RBA

### Vincent Scozzari

Product Strategy Specialist  
(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

**Website:** [RBAadvisors.com](http://RBAadvisors.com)

**Twitter:** @rbadvisors

**Phone:** (212) 692-4088

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## Investment Opportunity

The U.S. is unlikely to be the industrial leader that it was in the 1950s and 1960s. However, it seems very likely that the U.S. industrial sector will continue to gain global market share over the next decade. Our main reasons are deglobalization and implications for onshoring/reshoring, national security, and inflation.

We think contracting globalization is a much overlooked longer-term investment theme. If we are correct in that assessment, then the American Industrial Renaissance® could be an investment theme for many years.

## Onshoring/Reshoring

It may be critical for the US economy to rebuild its productive infrastructure as globalization continues to contract. Some have called this reshoring, rebuilding the American capital stock, or infrastructure, but we think subthemes like energy infrastructure, utility infrastructure, private sector manufacturing infrastructure, and related real estate, ports, roadways, and rail are just as important to the future of the US economy.

## National Security

The global supply chain disruptions seen since the onset of the Covid-19 Pandemic highlighted significant vulnerabilities to vendor deliveries around the world. Ongoing shortages and rising costs in many of today's essential items are likely to spur a multi-year cycle of renewed investment and growth in domestic infrastructure and manufacturing, providing support to the US economy. The resilience of supply chains is increasingly seen as essential at the highest levels of government as seen in the 2021 Presidential Executive Order on America's Supply Chains. These dual economic and national security concerns are quite likely to constrain globalization.

## Inflation

Globalization was perhaps the primary reason the US experienced secular disinflation and secularly falling interest rates. Globalization was highly disinflationary because supply and competition kept increasing as countries were opened to foreign production and trade. American consumers had access to better quality goods at cheaper prices. The US increasingly ran a trade deficit as globalization expanded, and that wasn't really an issue so long as globalization did indeed continue to expand. However, globalization is starting to contract, trade uncertainty is increasing, and the US trade deficit indicates the US is dependent on the rest of the world for virtually everything. It seems likely that secular disinflation could reverse as globalization contracts.

## Unique Theme versus Broad Sector Alternatives

We believe the RBAmerican Industrial Renaissance® Index is uniquely positioned relative to other major industrial indexes such as the S&P Industrials Sector, the MSCI USA IMI Industrials and the DJ U.S. Industrials Indices. The RBAAIR index methodology focuses on small and mid-cap companies which we believe are positioned to benefit from increasing manufacturing market share in the U.S. vs. their larger-cap peers. Indices which utilize a market capitalization weighting methodology will generally have more emphasis on larger-cap companies which rely more heavily on international markets for revenues.



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### Vincent Scozzari

Product Strategy Specialist  
(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

**Website:** [RBAAdvisors.com](http://RBAAdvisors.com)

**Twitter:** @rbadvisors

**Phone:** (212) 692-4088

## Unique Theme versus Broad Sector Alternatives

Ticker	Index Name	Number of Constituents	Selection	Weighting
<b>RBAAIR</b>	RBA American Industrial Renaissance® Index	45	Small and Mid-Cap U.S. companies in the industrial and community banking sectors which meet specific criteria identified by RBA	Mean-Variance optimization model
<b>S5INDU</b>	S&P 500® Industrials Index	78	Constituents included in the S&P 500 that are classified in the GICS® industrials sector	Float-adjusted market capitalization
<b>S20</b>	S&P 500® Equal Weight Industrials Index	78	Constituents included in the S&P 500 that are classified in the GICS® industrials sector	Equal-weighted
<b>MSCIIN</b>	MSCI USA IMI Industrials Index	385	U.S. industrial equities in the USA Investable Market Index classified according to GICS®	Float-adjusted market capitalization
<b>DJUSIN</b>	Dow Jones US Industrials Index	207	U.S. industrial equities in the Dow Jones U.S. Index classified according to a proprietary system	Float-adjusted market capitalization

As of December 31, 2023; Source: Richard Bernstein Advisors LLC, Bloomberg Finance, [www.spglobal.com](http://www.spglobal.com).  
Source for MSCIIN Index: [www.msci.com](http://www.msci.com)

Richard Bernstein Advisors LLC has retained ICE Data Indices, LLC to serve as calculation agent for the Index. The ICE is responsible for the management of the day-to-day operations of the Index, including calculating the value of the Index every 15 seconds, widely disseminating the Index value every 15 seconds and tracking corporate actions, some of which result in Index adjustments. Any adjustments to the Index such as rebalances and corporate actions will be posted to <http://www.theice.com/market-data/indices/equity-indices/announcements-notices> and anyone who has licensed the Index will have access to nightly files with full constituent details.

The RBA American Industrial Renaissance® Index is constructed using a Mean-Variance optimization model and is calculated on a price (RBAAIR) and total return (RBAAIRT) basis. It is published every business day, and real-time updates are disseminated to financial data vendors whenever the New York Stock Exchange is open.

### Index Calculation Methodology

Index value = [SUMPRODUCT (Price, Shares) + Cash] / Index Divisor

For further details on the model (Axioma AX-WW 4 World-Wide Equity Factor Risk Model) please refer to <https://qontigo.com/wp-content/uploads/2020/10/Axioma-World-Wide-Equity-Factor-RiskModel-AXWW4.pdf>.

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[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

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**Twitter:** @rbadvisors

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## Index Description

The Index is designed to measure the performance of small and mid-cap U.S. companies in the industrial and community banking sectors. The Index provides exposure to companies directly involved in manufacturing, related infrastructure and banking. Banks will be chosen from states considered to be traditional manufacturing hubs.

## Criteria and Diversification Rules

For inclusion in the Index, companies must (as of the last rebalance date):

- ➔ Be primary-listed on the NYSE, NASDAQ, or NYSE MKT exchanges,
  1. Have a market capitalization of at least \$200 million,
  2. Have a \$6 minimum share price,
  3. Have an average daily traded value (ADTV) or turnover of at least \$500,000 over the last 20 trading days, and
  4. Source the majority of its revenue from within the U.S.
  5. Have positive 12-month forward earnings estimates.
- ➔ RBA places no limit on the number of constituents included in the Index. Typically the process results in 30-60 constituent securities.
- ➔ No constituent will exceed approximately 4% of the total index, with a minimum weight of at least 0.5%, at each quarterly rebalance.
- ➔ Bank securities will be limited to a maximum of approximately 10% of the index at each quarterly rebalance.
- ➔ Newly eligible constituent companies are added to the Index at each quarterly rebalancing.
- ➔ If a constituent company is no longer eligible to be included in the Index, RBA will either remove it immediately or at the next quarterly rebalance and re-weight the remaining constituent companies proportionally.

## Index Rebalancing

Each quarter the Index is rebalanced such that each company meets the criteria as set forth above and each segment of the Index is capped at its predetermined weight. Rebalancing is effective as of the market close of the third Friday in April, July, October and January. The reference dates for the data used in the rebalancing are the close of trading on the last trading day in March, June, September and December, respectively. The new shares to be a part of the rebalanced index are determined based off the weightings provided by RBA and closing prices as of the close of the Tuesday preceding the third Friday of April, July, October, and January.



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Product Strategy Specialist  
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[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

**Website:** [RBAadvisors.com](http://RBAadvisors.com)

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## Applications

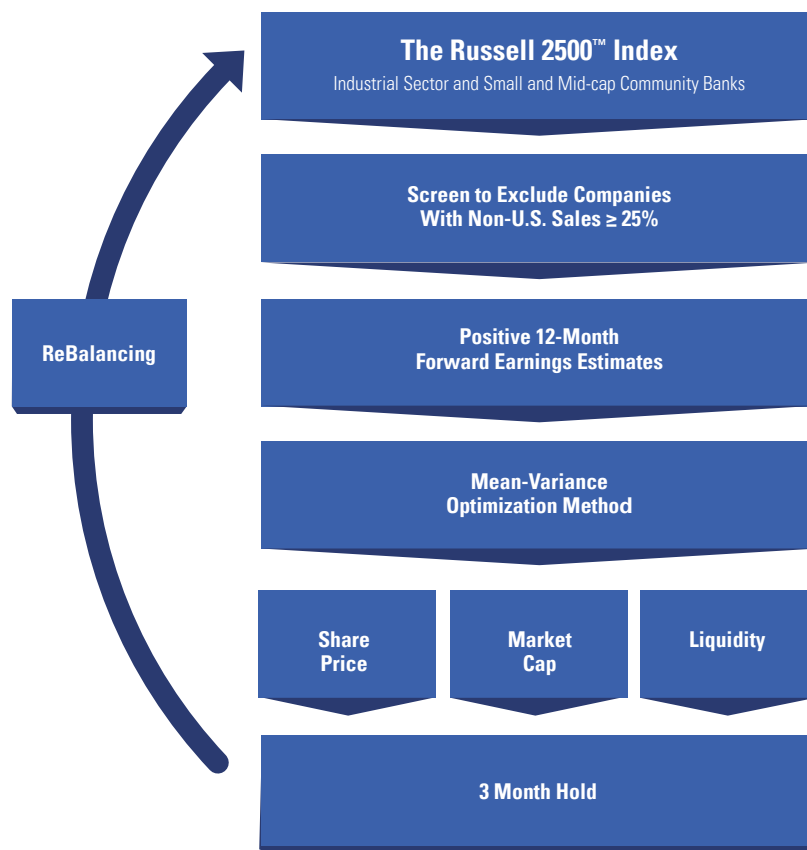
### Benchmarking

Investors may choose to utilize the index as the basis for index funds, exchange-traded products, insurance products, structured products, OTC derivatives and listed futures and options.

### Selection Universe

Investors may utilize the universe of stocks in the Index as a base investment screen on which to apply further investment analysis.

The Index has a base date of January 17, 2014 and a base value of 1,000. RBA serves as the index provider and members of the firm serve on the Index Committee, overseeing governance and compilation of the index. The index is published on index business days from 9:30 AM ET to 6:00 PM ET. Index business days are classified as days on which the U.S. Equity Markets (NYSE, NASDAQ, NYSE MKT) are open for a full or half-day of trading.





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## Market Cap Breakdown (as of 12/31/2023)

Large-cap:	Mid-cap:	Small-cap:
0.0%	25.1%	74.9%

## Performance and Index Yield (as of 12/31/2023)

Index Yield <sup>1</sup>	1.32%					
Average Annual Returns	QTD	YTD	1YR	3YR	5YR	Inception
RBA American Industrial Renaissance® Index (RBAAIRT)	12.37%	32.61%	32.61%	20.59%	22.71%	16.70%
S&P 500® Industrials Index (SPTRINDU)	13.05%	18.13%	18.13%	10.59%	14.20%	12.95%
Russell 2500® Index (R2500)	13.35%	17.42%	17.42%	4.24%	11.67%	11.38%
S&P 500® Index (SPTR)	11.69%	26.29%	26.29%	10.00%	15.68%	13.92%

## Index Growth (as of 12/31/2023)



Source: Richard Bernstein Advisors, NYSE, Bloomberg

\* Inception: July 25, 2012

<sup>1</sup> Index yield represents the weighted average trailing 12-month net dividend of the constituents as of 12/31/2023

**IMPORTANT DISCLOSURE INFORMATION.** The information contained in this document is the exclusive property of Richard Bernstein Advisors LLC ("RBA"). Past performance of any index is not an indication of its future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. A decision to invest in any such fund or portfolio should not be made in reliance on any of the statements set forth in this document. Inclusion of a security within any index is not a recommendation by RBA to buy, sell, or hold such security, nor is it considered to be investment advice. Index performance does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions would reduce returns. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. Back-tested calculations are based on a substantially similar methodology as was in effect when the index was officially launched. However, it should be noted that the historic calculations of an economic index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. All information relating to an index is impersonal and not tailored to the specific financial circumstances of any person, entity or group of persons. Index methodologies are available upon request to RBA.

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Product Strategy Specialist

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[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

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**Phone:** (212) 692-4088

## Index Corporate Actions

The index may be adjusted for intra-rebalance corporate actions in order to maintain the continuity of the index level and composition. These adjustments take place in reaction to events that occur on the company/constituent level and are designed to mitigate or eliminate the effect of those events on the index performance. This ensures that the index continues to only reflect the performance of the underlying constituents as accurate as possible.

Any stock that is not available for trading due to a merger, acquisition, delisting or bankruptcy is deleted from the index on the effective date of the corporate event. There will normally be no replacement for the company being deleted. If a company is removed from the index, the index divisor will be adjusted to maintain the index level.

### Mergers and Acquisitions

If there is a merger or acquisition between two members of the index, then the acquired company will be deleted and the shares of the acquirer will be increased as per the terms of the merger consideration paid in shares. If there is an acquisition of a member of the index by a non-member, then the acquired company will be deleted from the index. If there is an acquisition of a non-member by a member of the index, then there will be no changes made.

### Bankruptcy

If a company files for bankruptcy, then the company will be deleted from the index effective for the next trading day. The price of the deletion will be set to its closing price on the OTC markets, if it is available for trading that day. If the stock does not trade on the OTC markets, and a price is not readily available, the Index Committee reserves the right to set a price at which it will be deleted. This price could be equal to \$0, if there is no available indication of its current value.

### Suspensions and halted trading

In the situation that trading in shares is suspended or halted, the last known price established during regular trading on the primary exchange will be utilized. In extraordinary situations, a company could be valued at a price of \$0 by the Index Committee if there is some sort of financial distress or bankruptcy situation present.

### Spin-offs

In the event of a spin-off by a constituent of the index, the price of the parent company will be adjusted by the value of the spun-off entity. The shares of the parent company will be increased to maintain the existing constituent weighting within the index.

### Reinvestment of Dividends

Regular cash dividends will be accounted for in the total return version of the index, symbol RBAAIRT. Dividends that are deemed to be special cash dividends will be adjusted for via a price adjustment and corresponding share increase to maintain the constituent's existing weighting within the index. Dividends will be judged to be special by the Index Committee taking into account the size of the dividend as well as more commonly the identification of the dividend relative to the timing of its normal dividend reporting schedule.





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Product Strategy Specialist

(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

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**Phone:** (212) 692-4088

## Rights offerings

In the case of a rights issue being offered by an index constituent, the price of that constituent will be adjusted for by the value of the right effective for the ex-date. The shares of the constituent will be increased to maintain the constituent's existing weighting within the index. The rights issue will only be adjusted for if the rights represent a positive value, or are in-the-money. Alternatively, the rights issue will also be adjusted for if the rights can be converted into a tangible cash value.

## Additional information

For bonus issues, stock splits and reverse stock splits, the number of shares included in the index will be adjusted in accordance with the ratio given in the corporate action. Since the event won't change the value of the company included in the index, the divisor will not be changed because of this.

Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the index.

## Contact Richard Bernstein Advisors

For further information about the Richard Bernstein Advisors American Industrial Renaissance® Index, please contact:

### Vincent Scozzari

Product Strategy Specialist

(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

1251 Avenue of the Americas

Suite 4102

New York, NY 10020

(212) 692-4088

**Website:** [RBAvisors.com](http://RBAvisors.com)

**Twitter:** @rbadvisors

**Phone:** (212) 692-4088





## CONTACT RBA

### Vincent Scozzari

Product Strategy Specialist

(212) 692-4022

[vscozzari@rbadvisors.com](mailto:vscozzari@rbadvisors.com)

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## About Richard Bernstein Advisors

Richard Bernstein Advisors LLC is an investment manager. RBA partners with several firms including Eaton Vance Corporation and First Trust Portfolios LP, and currently has \$15.4 billion collectively under management and advisement as of December 31<sup>st</sup>, 2023. RBA acts as sub-advisor for the Eaton Vance Richard Bernstein Equity Strategy Fund and the Eaton Vance Richard Bernstein All-Asset Strategy Fund. The firm also offers income and unique theme-oriented unit trusts through First Trust and is the index provider for the First Trust RBA American Industrial Renaissance® ETF. Additionally, RBA runs ETF asset allocation SMA portfolios at UBS, Merrill Lynch, Morgan Stanley, Wells Fargo, RBC, Janney and on select RIA platforms. RBA's investment insights as well as further information about the firm and products can be found at [www.RBAadvisors.com](http://www.RBAadvisors.com).

## Important Disclosure Information

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